

**REPORT OF THE AUDIT OF THE
LARUE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LARUE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the LaRue County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$1,635 from the beginning of the year, resulting in a cash surplus of \$1,449,114 as of June 30, 2003.

Debt Obligations:

Total bonded debt principal as of June 30, 2003, was \$2,070,000. Future collections of \$2,843,053 are needed over the next 15 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$658,148 as of June 30, 2003. Future principal and interest payments of \$765,237 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of LaRue County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund type; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type; and the related statement of cash flows - proprietary fund type for the year then ended. These financial statements are the responsibility of the LaRue County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, LaRue County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of LaRue County, Kentucky, as of June 30, 2003, and its revenues and expenditures, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2004, on our consideration of LaRue County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of LaRue County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 27, 2004

LARUE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Tommy Turner	County Judge/Executive
Peggy Hawkins	Magistrate
Edward S. Lee	Magistrate
Bryan Durham	Magistrate
Pat Eastridge	Magistrate

Other Elected Officials:

Dale Morris	County Attorney
Ralph Trumbo	Jailer
Linda Carter	County Clerk
Larry Bell	Circuit Court Clerk
Bobby Shoffner	Sheriff
James Q. Shaw	Property Valuation Administrator
George Bertram	Coroner

Appointed Personnel:

Lauralene Reed	County Treasurer
Renee Strock	Finance Officer
Tommy Rosel	Road Supervisor
Clara Druen	911 Administrator
Linda Flenner	Jail Administrative Assistant
Kathy Ovesen	Administrative Assistant

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

LARUE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	<u>Governmental Fund Type</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 412,284	\$	\$ 13,167	\$ 425,451
Certificates of Deposit	<u>1,038,368</u>	<u>2</u>		<u>1,038,370</u>
Total Assets	<u>\$ 1,450,652</u>	<u>\$ 2</u>	<u>\$ 13,167</u>	<u>\$ 1,463,821</u>
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
First Mortgage Refunding Revenue Bonds -				
Principal (Note 4)	\$	\$ 424,999	\$	\$ 424,999
General Obligation Improvement Bonds -				
Principal (Note 4)		1,644,999		1,644,999
Capital Leases -				
Principal (Note 5)	<u>658,148</u>			<u>658,148</u>
Total Other Resources	<u>\$ 658,148</u>	<u>\$ 2,069,998</u>	<u>\$ 0</u>	<u>\$ 2,728,146</u>
Total Assets and Other Resources	<u>\$ 2,108,800</u>	<u>\$ 2,070,000</u>	<u>\$ 13,167</u>	<u>\$ 4,191,967</u>

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	Governmental Fund Type		Proprietary Fund Types	Totals (Memorandum Only)
	General	Debt Service	Enterprise	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
First Mortgage Refunding Revenue				
Bonds -				
Principal (Note 4)	\$	\$ 425,000	\$	\$ 425,000
General Obligation Improvement				
Bonds -				
Principal (Note 4)		1,645,000		1,645,000
Capital Leases -				
Principal (Note 5)	658,148			658,148
Payroll Revolving Account	1,540			1,540
Total Liabilities	<u>\$ 659,688</u>	<u>\$ 2,070,000</u>	<u>\$ 0</u>	<u>\$ 2,729,688</u>
<u>Equity</u>				
Retained Earnings	\$	\$	\$ 13,167	\$ 13,167
Fund Balances:				
Reserved	67,634			67,634
Unreserved	1,381,478			1,381,478
Total Equity	<u>\$ 1,449,112</u>	<u>\$ 0</u>	<u>\$ 13,167</u>	<u>\$ 1,462,279</u>
Total Liabilities and Equity	<u><u>\$ 2,108,800</u></u>	<u><u>\$ 2,070,000</u></u>	<u><u>\$ 13,167</u></u>	<u><u>\$ 4,191,967</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

LARUE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	General Fund Type		
	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 2,002,418	\$ 875,932	\$ 843,028
Other Financing Sources:			
Transfers In		85,000	255,000
Kentucky Advance Revenue Program	974,000	90,800	
Total Cash Receipts	<u>\$ 2,976,418</u>	<u>\$ 1,051,732</u>	<u>\$ 1,098,028</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,649,964	\$ 859,034	\$ 880,028
Other Financing Uses:			
Transfers Out	340,000		208,696
Bonds:			
Principal Paid			
Interest Paid			
Lease-Purchase Principal Paid	17,051	96,926	8,000
Kentucky Advance Revenue Program Repaid	974,000	90,800	
Total Cash Disbursements	<u>\$ 2,981,015</u>	<u>\$ 1,046,760</u>	<u>\$ 1,096,724</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (4,597)	\$ 4,972	\$ 1,304
Cash Balance - July 1, 2002	<u>1,368,608</u>		<u>78,825</u>
Cash Balance - June 30, 2003	<u>\$ 1,364,011</u>	<u>\$ 4,972</u>	<u>\$ 80,129</u>

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE
 For The Fiscal Year Ended June 30, 2003
 (Continued)

<u>Debt Service Fund Type</u>		
		Totals (Memorandum Only) Reporting Entity
<u>Courthouse Improvements Bond Fund</u>		<u></u>
\$ 20	\$	3,721,398
208,696		548,696
		<u>1,064,800</u>
<u>\$ 208,716</u>	<u>\$</u>	<u>5,334,894</u>
\$	\$	3,389,026
		548,696
115,000		115,000
93,760		93,760
		121,977
		<u>1,064,800</u>
<u>\$ 208,760</u>	<u>\$</u>	<u>5,333,259</u>
\$ (44)	\$	1,635
46		1,447,479
<u>\$ 2</u>	<u>\$</u>	<u>1,449,114</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE - PROPRIETARY FUND TYPE

LARUE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
	Jail Canteen Fund
<u>Cash Receipts</u>	
Jail Canteen Receipts	<u>\$ 119,613</u>
Total Cash Receipts	<u>\$ 119,613</u>
<u>Cash Disbursements</u>	
Jail Canteen Expenditures	<u>\$ 122,875</u>
Total Cash Disbursements	<u>\$ 122,875</u>
Excess of Cash Disbursements Over Cash Receipts	\$ (3,262)
Cash Balance - July 1, 2002	<u>16,429</u>
Cash Balance - June 30, 2003	<u><u>\$ 13,167</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

LARUE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows from Operating Activities:	
Operating Loss	<u>\$ (3,262)</u>
Net Cash Used by Operating Activities	<u>\$ (3,262)</u>
Net Decrease in Cash and Cash Equivalents	\$ (3,262)
Cash and Cash Equivalents - July 1, 2002	<u>16,429</u>
Cash and Cash Equivalents - July 1, 2003	<u><u>\$ 13,167</u></u>

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of LaRue County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the LaRue County Building Commission Corporation as a component unit of LaRue County Fiscal Court.

The fiscal court has included the LaRue County Building Commission Corporation because they appoint a voting majority of the governing board and impose their will to significantly influence the activities of the commission. The financial statements of the corporation are blended with those of the LaRue County Fiscal Court.

Additional - LaRue County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting LaRue County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. LaRue County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The LaRue County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, and Jail Fund.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the LaRue County Courthouse Improvements Bond Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The LaRue County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail commissary operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, and expenditures when paid. Long-term receivables, long-term obligations, and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The state local finance officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment, and land that are owned by the county.

D. Legal Compliance - Budget

The LaRue County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Debt Service Fund Type because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts. The county considers certificates of deposit with a maturity date of three months or less when purchased to be cash equivalents. KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of LaRue County Fiscal Court:

LaRue County Extension Service
LaRue County Public Health
LaRue County Library

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

Note 4. Long-Term Debt

A. First Mortgage Refunding Revenue Bonds, Series of 1998

The LaRue County Building Commission Corporation issued \$705,000 of First Mortgage Revenue Bonds, Series of 1991, dated January 1, 1991, at various interest rates for the purpose of constructing a courthouse facility (referred to herein as the "prior bonds").

The LaRue County Building Commission Corporation issued \$630,000 of First Mortgage Revenue Bonds, Series of 1998, dated October 1, 1998, at 4.10% interest rate for the purpose of discharging the outstanding prior bonds. Proceeds of the refunding revenue bonds were deposited into an Escrow Fund, and used to meet the scheduled principal and interest payments of the prior bonds, from January 1, 1999 through January 1, 2001 (dates inclusive). On January 1, 2001, the prior bonds were called at 103% and all outstanding prior bonds were retired using the remaining balance of the Escrow Fund.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Long-Term Debt (Continued)

A. First Mortgage Refunding Revenue Bonds, Series of 1998 (Continued)

Future bond principal and interest requirements of the Jail Fund are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 17,425	\$ 50,000
2005	15,375	45,000
2006	13,530	50,000
2007	11,480	50,000
2008	9,430	55,000
2009-2011	<u>14,555</u>	<u>175,000</u>
Totals	<u>\$ 81,795</u>	<u>\$ 425,000</u>

B. General Obligation Improvement Bonds, Series of 1999

The LaRue County Fiscal Court issued \$1,910,000 of General Obligation Improvement Bonds, Series of 1999, dated January 1, 1999, at various interest rates for the purpose of construction of courthouse facilities.

Future bond principal and interest requirements of the Courthouse Improvements Bond Fund are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 71,690	\$ 75,000
2005	68,690	75,000
2006	65,690	80,000
2007	62,490	85,000
2008	59,090	85,000
2009-2013	238,140	495,000
2014-2018	119,030	610,000
2019	<u>6,440</u>	<u>140,000</u>
Totals	<u>\$ 691,260</u>	<u>\$ 1,645,000</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Lease Agreements

A. The county has entered into the following capital lease agreements, which are paid from the General Fund.

1) Road Garage Property

On September 12 1997, the LaRue County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of property for the road garage. The principal was \$385,000 at 4.25 percent interest for a period of 15 years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 10,406	\$ 25,888
2005	8,623	24,982
2006	7,667	26,057
2007	6,671	27,178
2008	5,632	28,347
2009-2013	<u>11,268</u>	<u>135,471</u>
Totals	<u>\$ 50,267</u>	<u>\$ 267,923</u>

2) Sheriff's Vehicles

On November 1, 1999, the LaRue County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of two Sheriff vehicles. The principal was \$43,162 at 3.72 percent interest for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	<u>\$ 367</u>	<u>\$ 5,143</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Lease Agreements (Continued)

B. The county has entered into the following capital lease agreements, which are paid from the Road and Bridge Fund.

1) Road Paving Project

On May 8, 1998 the LaRue County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for paving of roads. The principal was \$300,000 at 4.5 percent interest for a period of 10 years, with interest and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 6,998	\$ 30,000
2005	5,610	32,000
2006	4,151	33,000
2007	2,629	35,000
2008	997	38,000
Totals	<u>\$ 20,385</u>	<u>\$ 168,000</u>

2) Grader

On October 8, 1998, the LaRue County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of a grader. The principal was \$110,000 at 3.8 percent interest for a period of six years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	<u>\$ 676</u>	<u>\$ 24,000</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Lease Agreements (Continued)

B. The county has entered into the following capital lease agreements, which are paid from the Road and Bridge Fund. (Continued)

3) Trucks

On July 1, 1999, the LaRue County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of two trucks. The principal was \$74,010 at 3.72 percent interest for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	<u>\$ 458</u>	<u>\$ 18,543</u>

4) Road Equipment

On August 14, 2001, the LaRue County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of road equipment. The principal was \$66,390 at 4.67 percent interest for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 1,649	\$ 14,249
2005	967	13,705
2006	408	14,264
2007	<u>12</u>	<u>2,321</u>
Totals	<u>\$ 3,036</u>	<u>\$ 44,539</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Lease Agreements (Continued)

B. The county has entered into the following capital lease agreements, which are paid from the Road and Bridge Fund. (Continued)

5) Back-Hoe Loader

On September 26, 2001, the LaRue County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the purchase of a back-hoe loader. The principal was \$55,000 at 3.86 percent interest for a period of five years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 981	\$ 10,000
2005	663	10,000
2006	<u>278</u>	<u>15,000</u>
Totals	<u>\$ 1,922</u>	<u>\$ 35,000</u>

C. The county has entered into the following capital lease agreement, which is paid from the Jail Fund.

Jail Annex

On June 22, 1992, the LaRue County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease agreement was for the construction of a 30-bed jail annex. The principal was \$164,000 at 5.409 percent interest for a period of 20 years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 5,852	\$ 9,000
2005	5,275	9,000
2006	4,698	9,000
2007	4,094	10,000
2008	3,453	10,000
2008-2012	<u>6,606</u>	<u>48,000</u>
Totals	<u>\$ 29,978</u>	<u>\$ 95,000</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Commitment and Contingency – The Lincoln Museum, Inc. Capital Lease

On May 23, 2002, the LaRue County Fiscal Court entered into a lease agreement with Kentucky Area Development Districts (KADD) Financing Trust for \$285,000 for the renovation of the Abraham Lincoln museum. These payments are to be made by The Lincoln Museum, Inc. As of June 30, 2003, the principal outstanding was \$285,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 14,618	\$
2005	14,617	
2006	14,568	40,000
2007	12,667	40,000
2008	10,768	40,000
2009-2012	<u>23,264</u>	<u>165,000</u>
Totals	<u>\$ 90,502</u>	<u>\$ 285,000</u>

Note 7. Federal and State Grants

A. Pearman Interpretive Center Project

During the fiscal year ended June 30, 2003, LaRue County Fiscal Court was awarded a land and water conservation grant in the amount of \$53,000 from the National Park Service of the U. S. Department of the Interior. The purpose of the grant is to assist in the renovation of a house into an interpretive center to be used for public outdoor recreational activities. The house is located on a local 228-acre farm site that was previously purchased by the County. The grant requires a 50% match of local funding with the County being reimbursed after funds are expended. During the fiscal year ended June 30, 2003, LaRue County expended \$6,402 for the renovation.

B. Buffalo/Magnolia Sidewalk Project

During the fiscal year ended June 30, 2000, LaRue County Fiscal Court was awarded a grant in the amount of \$150,000 from the Commonwealth of Kentucky, Transportation Cabinet - Department of Highways. During the fiscal year ended June 30, 2003, LaRue County Fiscal Court was awarded a supplemental grant in the amount of \$75,000 for this project. The purpose of the original and supplemental grants is to provide for sidewalk improvements in order to enhance pedestrian safety in the communities of Buffalo and Magnolia. Both the original and supplemental grants require that the County be reimbursed after funds are expended. During the fiscal years ended June 30, 2000, 2001 and 2002, the County expended \$98,100. During the fiscal year ended June 30, 2003, the County expended \$139,031 and was reimbursed for the entire amount of grant funds of \$225,000.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 7. Federal and State Grants (Continued)

C. Waterline Construction Project

During the fiscal year ended June 30, 2000, LaRue County Fiscal Court received a grant in the amount of \$1,000,000 from the Commonwealth of Kentucky to allow the expansion of public water service by funding 312 feet of water main and the addition of a 100-gallon elevated water storage tank. The expansion would reach approximately 550 new customers in LaRue County and a portion of Nelson County representing a 30 percent increase in residential service. Most of those to receive the new service were utilizing contaminated ground water sources. During the fiscal year ended June 30, 2002, LaRue County Fiscal Court received additional grant funding of \$803,542 from the Commonwealth of Kentucky for this project. Total expenditures for the fiscal years ended June 30, 2000, 2001, 2002, and 2003 were \$54,634, \$716,949, \$961,228, and \$70,731 respectively. The unexpended balance of the grant as of June 30, 2003 was \$0. This project has been completed.

D. Fire Department Equipment Grant

During the fiscal year ended June 30, 2002, LaRue County Fiscal Court received a grant in the amount of \$195,000 from the Commonwealth of Kentucky for the purchase of new equipment and the update of current equipment for various county fire departments. Total expenditures for the fiscal years ended June 30, 2001, 2002, and 2003 were \$83,577, \$46,423, and \$42,061 respectively. The unexpended balance of the grant as of June 30, 2003 was \$22,939.

Note 8. Insurance

For the fiscal year ended June 30, 2003, LaRue County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

LARUE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 2,002,000	\$ 2,002,418	\$ 418
Road and Bridge Fund	1,065,255	875,932	(189,323)
Jail Fund	915,381	843,028	(72,353)
Totals	<u>\$ 3,982,636</u>	<u>\$ 3,721,378</u>	<u>\$ (261,258)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 3,982,636
Add: Budgeted Prior Year Surplus	373,289
Less: Budgeted Transfers to Courthouse Improvements Fund	(209,760)
Budgeted Capital Lease Agreements-Principal	<u>(121,977)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 4,024,188</u>

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SCHEDULE OF OPERATING REVENUE

LARUE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

Revenue Categories	GOVERNMENTAL FUND TYPE		Totals
	General Fund Type	Debt Service Fund Type	(Memorandum Only)
Taxes	\$ 855,151	\$	\$ 855,151
In Lieu Tax Payments	2,417		2,417
Excess Fees	93,337		93,337
Licenses and Permits	48,800		48,800
Intergovernmental Revenues	2,156,829		2,156,829
Charges for Services	455,341		455,341
Miscellaneous Revenues	73,706	20	73,726
Interest Earned	35,797		35,797
Total Operating Revenue	<u>\$ 3,721,378</u>	<u>\$ 20</u>	<u>\$ 3,721,398</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

LARUE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 519,882	\$ 456,470	\$ 63,412
Protection to Persons and Property	1,395,090	1,288,914	106,176
General Health and Sanitation	159,747	127,456	32,291
Social Services	15,778	13,849	1,929
Recreation and Culture	121,150	37,552	83,598
Roads	915,662	744,870	170,792
Other Transportation Facilities and Services	200,000	139,031	60,969
Debt Service	5,936	5,377	559
Administration	690,943	575,507	115,436
Total Operating Budget - General Fund Type	\$ 4,024,188	\$ 3,389,026	\$ 635,162
Other Financing Uses:			
Transfers to Courthouse			
Improvements Bond Fund-			
Principal	116,000	115,000	1,000
Interest	93,760	93,760	
Capital Lease Agreements-			
Principal	121,977	121,977	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 4,355,925</u>	<u>\$ 3,719,763</u>	<u>\$ 636,162</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of LaRue County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LaRue County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaRue County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 27, 2004

